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## FISCAL IMPACT REPORT



SPONSOR: Feldman DATE TYPED: 02/11/02 HB \_\_\_\_\_

SHORT TITLE: Senior Prescription Drug Benefit SB 91/aSFC/aSFI#1

ANALYST: Carrillo

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
			\$0.1	Recurring	Senior Prescription Drug Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	See Fiscal Narrative Below		Recurring	Senior Prescription Drug Fund
			Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to HB24, HB200, SB22, and SB82

### SOURCES OF INFORMATION

Retiree Health Care Authority (RHCA)  
 Public Schools Insurance Authority (PSIA)  
 General Services Department (GSD)  
 Health Policy Commission (HPC)  
 Department of Health (DOH)  
 LFC Files

## SUMMARY

### Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 to SB 291/a clarifies the intent of the Senior Prescription Drug Benefit program. The amendment makes it clear the program is to be administered under separate contract from the active and retired public employees group health benefits contracts. The remainder of the FIR remains valid.

### Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 91 is intended to address the concerns expressed under the “Significant Issues” section.

### Synopsis of Original Bill

Senate Bill 91, Senior Prescription Drug Benefit, proposes to amend the Retiree Health Care Act to provide for a senior prescription drug program. The bill establishes the Senior Prescription Drug Program Fund.

The Retiree Health Care Authority (RHCA) will administer the senior prescription drug program in conjunction with or through the consolidated purchasing process pursuant to the Health Care Purchasing Act.

The eligibility criteria set forth in SB91 is:

- Be a resident of the state;
- Be 65 years of age
- Not have any other prescription drug benefit

A qualifying senior will pay an annual enrollment fee not to exceed \$60.00. The RHCA will collect and use the enrollment fees for program administration costs.

The amount a qualifying senior pays for a prescription drug shall not exceed the total cost of the dispensing fee plus the contracted discounted price made available to the authority. (Note: The retail pharmacy industry refers to this type of plan as a 100 percent copay program).

### Significant Issues

The Public School Insurance Authority (PSIA) staff explains the consolidated purchasing power of the RHCA, PSIA, Risk Management Division (RMD), and the Albuquerque Public Schools (APS) group, resulted in significant discounts for prescription costs. The rates, discounts, and in some cases rebates, were possible because of the plan design and formulary negotiated with a pharmacy benefit manager (PBM) and a network of pharmacies. The negotiated rates are based on the claims processed (utilization) for the members of RHCA, PSIA, RMD, and APS.

The current PBM cautions the network pharmacies agreed to provide the rates, discounts and rebates for members of the RHCA, PSIA, RMD, and APS; not for participants in a 100 percent copay

plan. The current contracted PBM has a separate agreement with its network pharmacies for a 100 percent copay program, and it is those rates that would be in effect for the RHCA proposed senior prescription drug program. The current PBM also explains rebates from drug manufacturers for 100 percent copay plans are not available.

### **FISCAL IMPLICATIONS**

The bill creates the Senior Prescription Drug Program Fund, but does not provide for an annual appropriation by the legislature. Based on data from the State Agency on Aging and the U. S. Census Bureau, the Health Policy Commission (HPC) staff notes, there are an estimated 68,000 to 110,000 seniors that may participate in the senior prescription drug program. Depending on the number that enroll, between \$4 million and \$6.6 million annual revenue could be generated and deposited into the Senior Prescription Drug Program Fund. Any interest earned on the deposited amount would be credited to the general fund.

### **ADMINISTRATIVE IMPLICATIONS**

The RHCA staff states additional FTE will be required to administer the senior program prescription drug program.

### **DUPLICATION/RELATIONSHIP**

Duplicates: House Bill 200, Senior Prescription Drug Program.

Relates to: House Bill 24, Statewide Rural Health  
Senate Bill 22, Statewide Rural Health  
Senate Bill 82, Mental Health Services

### **TECHNICAL ISSUES**

Consideration should be to (1) including an effective date and (2) subjecting the Senior Prescription Drug Fund to annual appropriation by the legislature.

PSIA staff suggests clarifying the wording in paragraph D to read, “shall not exceed the total cost of the dispensing fee plus the contracted discounted price made available to the authority for this group of seniors.”

The Health Policy Commission staff suggests considering broadening the criteria to include seniors who have reached the limit of their supplemental benefit coverage.

### **OTHER SUBSTANTIVE ISSUES**

Information provided by Health Policy Commission staff:

- There are approximately 3,396 uninsured seniors and 64,729 Medicare beneficiaries without supplemental insurance (private, Medicaid, government retirement).
- 15,000 New Mexico seniors were dropped in 2001 from Medicare C-Plus (covers prescription drugs).

- In 1999, Medicare beneficiaries spent 19 percent (\$2,430) of their income for out-of-pocket health care related costs. On average, 17 percent (\$410) was for prescription drugs; beneficiaries reporting severely limited daily activity spent about \$595; while those reporting fair or poor health spent approximately \$605.
- 24 states are currently providing some type of state assisted pharmaceutical program for seniors. The 24 states are: California, Connecticut, Delaware, Florida, Illinois, Indiana, Kansas, Maine Maryland, Massachusetts, Missouri, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, and Wyoming.

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